

# Problems, Promises, and Paradoxes of Aid



Problems, Promises, and Paradoxes of Aid:  
Africa's Experience

Edited by

Muna Ndulo and Nicolas van de Walle

**CAMBRIDGE  
SCHOLARS**

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P U B L I S H I N G

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This book first published 2014

Cambridge Scholars Publishing

12 Back Chapman Street, Newcastle upon Tyne, NE6 2XX, UK

British Library Cataloguing in Publication Data  
A catalogue record for this book is available from the British Library

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ISBN (10): 1-4438-6745-4, ISBN (13): 978-1-4438-6745-0

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## CONTRIBUTORS

**Kojo Busia** is Chief of the African Peer Review Mechanism (APRM) Support Unit in the Governance and Public Administration Division (GPAD) of the UN Economic Commission for Africa (UNECA) based in Addis Ababa, Ethiopia. He also served as a member of the ECA technical team that conducted the review monitoring good governance in Africa, culminating in the publication of the first continent-wide study, the African Governance Report (AGR) in 2005. Prior to joining UNECA in 2003, Dr. Busia worked as a U.S. Foreign Service Officer with the United States Agency for International Development (USAID) and served as a Democracy and Governance Officer in parts of Africa and Eastern Europe including Kenya, Mali, and Romania. Dr. Busia completed his BA in international relations at George Mason University and received his MA in African Studies and a Ph.D. in International Development Planning from Cornell University.

**Aaron M. Chassy** is a specialist in good governance and civil society with twenty years of experience developing and managing programs in thirty countries worldwide as well as in the United States. His areas of technical expertise include decentralization and democratic local governance, implementing participatory policy reform, strengthening civil society, citizen advocacy promotion, and the rule of law. Mr. Chassy has served as a USAID Democracy and Governance Foreign Service Officer working in USAID/Washington and USAID/Guinea-Conakry. At present, he serves as Senior Technical Advisor for Catholic Relief Services.

**Nikolas Emmanuel** is an Assistant Professor in political science at the University of Copenhagen. He holds a Ph.D. in political science from the University of California, Davis. He also has a M.Phil. in political science and African studies from the Institut d'Études Politiques and the Centre d'Études d'Afrique Noire in Bordeaux, France.

**Esau Kaakunga** is a Senior Lecturer in Economics at the University of Namibia; he previously held a similar position at Polytechnic of Namibia. From 2001 to 2006 he served as Senior Economist in Research at the Bank of Namibia. He has been a consultant to international organizations including

the African Development Bank, USAID, the Institute for Global Dialogue, the Electoral Institute of Southern Africa, UNDP, the Southern African Development Community, and the African Capacity Building Foundation. Dr. Kaakunga is a member of the Agricultural Economics Research Center network and the Poverty Economic Policy network.

**Moses Kiggundu** is Professor of Management and International Business at the Sprott School of Business, Carleton University, Canada. His research focuses on the challenges of managing globalization and creating conditions for a competitive economy in developing countries, with particular interest in the internationalization of business, foreign direct investment, and South-South economic engagements with Africa. He has worked with multinational companies, the United Nations and other international organizations.

**Howard Lehman** is Associate Professor of Political Science at the University of Utah, where he has been teaching since 1986. He holds a Ph.D. in Political Science from the University of Minnesota. He is the recipient of two Fulbright Lectureship awards, to Slovakia in 1994–95 and to Japan in 2002–03. In 2006, Professor Lehman was invited to be a Visiting Scholar at Kobe University and was selected to present his project on Japanese aid to Africa at a UN-sponsored conference in Helsinki.

**Cecelia Lynch** (Ph.D., Political Science, Columbia University) is Professor of Political Science and Director of the Center for Global Peace and Conflict Studies at the University of California, Irvine. She was the winner of the 1999 Furniss Award from the Mershon Center for International Security and co-winner of the 1998 Myrna Bernath Award from the Society for Historians of American Foreign Relations, both for *Beyond Appeasement: Interpreting Interwar Peace Movements in World Politics* (Cornell University Press). She has been awarded fellowships from the Social Science Research Council and MacArthur Foundation, and is completing a book on tensions in Western (Christian) religious ethics on violence, funded by the AAUW and Huntington Library. In 2006, she was awarded an Andrew W. Mellon New Directions Post-doctoral Fellowship for her current research on Islamic and interfaith religious ethics in world crises. She received her Ph.D. in Political Science from Columbia University in New York City.

**Daniel Maxwell** is the Research Director of Food Security and Livelihoods in Complex Emergencies at the Feinstein International Center, Tufts University. Prior to joining academia, he had over twenty years of leadership in NGO program development and management. He was the Deputy Regional Director (2003–2006) and Regional Program Coordinator (2002–2003) for CARE-International, East and Central Africa Regional Unit; the Regional Food Security Advisor, CARE-International, East Africa Regional Unit (1998–2002); and a Rockefeller Fellow at the International Food Policy Research Institute and Noguchi Memorial Institute for Medical Research (1995–1998).

**Muna Ndulo** (D.Phil., Oxford) is Professor of Law and Director of the Institute for African Development at Cornell University. He is also Honorary Professor of Law at the University of Cape Town, South Africa, Extraordinary Professor of Law, Free State University, South Africa, and a former Professor of Law and Dean of the Law at University of Zambia. He has extensive international and UN experience, having served as Legal Officer in the International Law Branch of the UN Commission on International Trade Law; as Legal Adviser and Political Advisor to the UN Observer Mission in South Africa; the UN Assistance Mission to East Timor; and the United Nations Missions to Kosovo and Afghanistan. He has consulted with the World Bank, the African Development bank, the Economic Commission for Africa, and the International Development Law Organization.

**Phyllis Pomerantz** is Professor of the Practice of Public Policy at the Duke Center for International Development, Sanford School of Public Policy, Duke University. Prior to Duke, Dr. Pomerantz was a staff member of the World Bank, beginning there in 1979 as an economist and rural development specialist on Latin America. She subsequently held a series of managerial positions, including Chief of Brazil Agriculture, Chief of Infrastructure Operations in Southern Africa, and Country Director of Zambia and Mozambique. In 2001, she became the World Bank's first Chief Learning Officer, a position she held until her retirement in 2005. Dr. Pomerantz holds two Masters and a Ph.D. in International Relations/International Development from the Fletcher School of Law and Diplomacy.

**Haley Swedlund** holds a Ph.D. in political science from the Maxwell School of Citizenship and Public Affairs, Syracuse University. She is currently an assistant professor at the Centre for International Conflict Analysis and Management, Radboud University, in Nijmegen, the Netherlands. She received her B.S. in political science and women's studies from Texas Christian University and her M.A. from Syracuse University. She also works with the Transnational Non-governmental Organization Initiative based at the Moynihan Institute of Global Affairs, Syracuse University.

**Finn Tarp** is Director of UN University-Wider; He is also Professor and Chair of Development Economics at the University of Copenhagen, where he completed his M.Sc. and Ph.D. in Economics. Professor Tarp has some thirty years of experience in academic and applied development economics research and teaching. His field experience covers numerous countries across Africa and the developing world more generally, including longer term assignments in Swaziland (two years), Mozambique (eight years) and Vietnam (three years). In addition to his university positions, Finn Tarp has held senior posts and advisory positions within government and donor organizations, and he is a member of numerous international committees and advisory bodies. These include the European Union Development Network (EUDN) and the African Economic Research Consortium (AERC).

**Nicolas van de Walle** (Ph.D., Princeton University) is Maxwell M. Upson Professor of Government at Cornell University. He has published widely on democratization issues as well as on the politics of economic reform and on the effectiveness of foreign aid, with special focus on Africa. In addition, van de Walle has worked extensively as a consultant for a variety of international and multilateral organizations, including the World Bank, USAID, and UNDP. From 2004 to 2008 he was Director of Cornell's Mario Einaudi Center for International Studies and Associate Dean for International Studies, College of Arts and Sciences.

## ACRONYMS

AAA	Accra Agenda for Action
AAD-SAP	African Alternative Framework for Adjustment Programmes
ACC	All Africa Conference of Churches
ADF	Augmented Dickey-Fuller (test)
AIC	African Initiated (or Instituted) Churches
APRM	Africa Peer Review Mechanism
ARDL	Auto-regressive Distributed Lag
ATR	African Traditional Religion
BHN	Basic human needs
BOP	balance of payments
BSHG	Budget Support Harmonization Group
CAP	Country Assistance Program
CBO	Community-based organization
CCIC	Canadian Council for International Cooperation
CDF	Comprehensive Development Framework
CIDA	Canadian International Development Agency
CIVICUS	World Alliance for Citizen Participation
CPA	Country Programmable Aid
CPAF	Common Performance Assessment Framework
CSO	Civil Society Organizations
DAC	Development Assistance Committee
DfID	Department for International Development (UK)
DFI	Development Financial Institution
DPCG	Development Partners Coordination Group
ECHO	European Community Humanitarian Office
ECM	error correction model
EDPRS	Economic Development and Poverty Reduction Strategy
EHRC	Ethiopian Human Rights Council
EPLF	Eritrean People's Liberation Front
EPRDF	Ethiopian People's Revolutionary Democratic Front
EXIM	Chinese Bank for Exports and Imports
FASID	Foundation for Advanced Studies on International Development

FGC/M	female genital circumcision/mutilation
FOCAC	Forum on China-Africa Cooperation
FSNAU	Food Security and Nutrition Assessment Unit (Somalia)
GAVI	Global Alliance for Vaccines and Immunization
GBS	general budget support
GEF	Global Environmental Facility
GFATM	Global Fund to Fight AIDS, Tuberculosis and Malaria
G-JAS	Ghana Joint Assistance Strategy
GMB	Grain Marketing Board (Zimbabwe)
GNI	Gross National Income
GOS	Government of Sudan
GoR	Government of Rwanda
GPGs	global public goods
GPRS	Growth and Poverty Reduction Strategy
GPS	Ghana Partnership Strategy
HIPC	Heavily Indebted Poor Countries
HLF	Accra High Level Forum
ICU	Supreme Council of Islamic Courts Union
IDPs	Internally displaced persons
IDRC	International Development Research Centre
IFAPA	Inter-Faith Action for Peace in Africa
IMF	International Monetary Fund
IPC	Food Security and Humanitarian Phase Classification Map (of FSNAU)
IPRCC	International Poverty Reduction Centre in China
ISA	international strategic alliance
JBIC	Japan Bank for International Cooperation
JETRO	Japan External Trade Organization
JICA	Japan International Cooperation Agency
LDC	Less Developed Countries
LICUS	Low-Income Countries Under Stress
MCC	Millennium Challenge Corporation
MDC	Movement for Democratic Change (Zimbabwe)
MNCs	multinational corporations
MOFCOM	(China's) Ministries of Commerce
MONUC	UN Organization Mission in the Democratic Republic of the Congo
MOU	memorandum of understanding
NEPAD	New Partnership for Africa's Development

NGC	National Governing Council
NPoA	National Plan of Action
NRM	natural resource management
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OEEC	Organization for European Economic Cooperation
OFAC	Office of Foreign Assets Control (under U.S. Patriot Act)
OLS	Operation Lifeline Sudan (UN)
ONLF	Ogaden National Liberation Front
PAAERD	UN Programme of Action for African Economic Recovery and Development
PETS	Public Expenditure Tracking Survey
PFM	Public Financial Management
PMF	public financial management
PMMS	performance measurement and management systems
PPP	Purchasing Power Parity
PRIO	Peace Research Institute Oslo
PROCURA	Programme for Christian-Muslim Relations in Africa
PRS	Poverty Reduction Strategy
PRSPs	Poverty Reduction Strategy Papers
PSNP	Productive Safety Net Programme
RGE	rural group enterprises
RWG	Redistribution with growth
SIDA	Swedish International Development Agency
SPA	Strategic Partnership with Africa
SPA-BSWG	Strategic Partnership with Africa Budget Support Working Group
SPLA	Sudan People's Liberation Army (Maxwell)
SWAp	sector-wide approaches
TFG	Transitional Federal Government
TNG	Transitional National Government
TPLF	Tigray People's Liberation Front
TRI	technical research institution
UCDP	Uppsala Conflict Data Program
UNECA	United Nations Economic Commission for Africa
UNMIL	UN Mission in Liberia
UNOSOM	UN Operation in Somalia
VCA	value chain analysis

WDI	World Development Indicators
WFP	World Food Programme
ZANU-PF	Zimbabwe African National Union–Patriotic Front



## PREFACE AND ACKNOWLEDGMENTS

This book is the result of a conference titled “Problems, Promises, and Paradoxes of Aid: Africa’s Experience,” held at Cornell University, April 16–17, 2010. The conference was sponsored by Cornell’s Institute for African Development in collaboration with the Cornell Center for a Sustainable Future, Cornell’s Mario Einaudi Center for International Studies, and the Academic Network on Legal Empowerment of the Poor, University of Oslo. This is an interdisciplinary book looking at all aspects of aid including the delivery, impact, and effectiveness of aid.

The book considers the problems, effectiveness, and paradoxes of economic aid with special reference to Africa. The original aim of aid was to help alleviate a country’s social problems without changing or altering basic social structures. Since then development aid has undergone a transformation from traditional aid to what is now termed development cooperation, partnership, or development assistance. With this transformation have come varied views surrounding aid effectiveness and the need for aid. In addition, the question of whether aid actually supports development has become a hotly debated topic.

With the signing of the Paris Declaration on Aid Effectiveness at the Paris High Level Forum II and the Accra Agenda for Action (AAA), the issue of aid has gained added prominence. The Paris Declaration is an unprecedented achievement for the international donor community and the partner governments committing themselves to key principles for aid reform. The AAA builds on the commitments agreed upon in the Paris Declaration.

Africa has, in recent years, joined the global search for mutually agreeable and workable aid relationships with the developed world. The New Partnership for Africa’s Development (NEPAD) was adopted by the African Union in the quest for building new relationships with international partners based on mutual obligations, commitments, interests, and benefits. NEPAD places an emphasis on aid effectiveness, with a monitoring peer review mechanism to enhance mutual accountability of recipient countries and donors.

In light of the global economic downturn, the debate on aid has intensified. Aid skeptics claim that aid has failed or has achieved very little and that development aid has no effect on the speed with which countries de-

velop. Aid advocates, however, argue that the role of aid in economic development is much more complex and multifaceted than the anti-aid advocates portray.

There is also argument about which form development aid should take in order to be effective. Should it, for example, focus on investing in infrastructure, health, training, and private activity? This would clearly be followed by the question: Is there any evidence that such aid-financed projects would be effective? A common criticism in recent years has been that rich countries have put so many conditions on aid (tied aid) that the conditions have reduced aid effectiveness; for example, some donor countries require the partner country to open up to foreign trade and investment, even though many of these countries may not be ready for it. In addition to country-to-country aid, development charities make up a vast web of non-governmental organizations, religious ministries, foundations, business donations, and college scholarships devoted to development aid. It has been observed that as the debate on aid ranges, an increasing number of African countries are beginning to step away from aid dependency as the domestic private sector becomes the engine of growth across much of Africa. Currently it is estimated that at least a third of African countries receive aid that is equivalent to less than 10 percent of their tax revenues (Gathigan 2012). On average, Africa has managed to raise an estimated \$441 in taxes per person per year while receiving \$41 per person per year in aid, according to *African Economic Outlook 2011* (African Development Bank Group 2011).

We begin this volume on aid by providing an overview of the academic literature that has evaluated the effectiveness of aid across countries. We then address the question: does aid support economic development? The chapters draw on a review of micro- and macroeconomic evidence, spanning four generations and decades of literature, including specific country studies. The volume examines the varied and evolving views and approaches to aid. It presents a comprehensive assessment of the role of aid in economic development, its approaches and its impact on development. The book offers recommendations on how aid can best be administered. In addition, some of the chapters provide country case studies illustrating how aid has worked in those countries. The chapters are written for the informed lay reader, with a minimum of methodological detail and a primary focus on descriptive, institutional, and policy factors. Each author has considerable knowledge and expertise in the subject matter of his or her chapter. The speakers' varied backgrounds reflect the conference's interdisciplinary focus; taken together the essays create an invaluable educational resource.

The conference could not have taken place and the book could not have been written without the help of many people. We would like to thank Ms. Evangeline Ray for her excellent editing and diligent preparation of the manuscript for publication, and Ms. Jackie Sayegh for her excellent work organizing the conference, without which this book would not have been possible. We also wish to thank research assistant Hanna Haile for the extremely helpful research she did for the book.

—*Muna Ndulo and Nicolas van de Walle*



# CHAPTER ONE

## INTRODUCTION

### MUNA NDULO

Although the past century has marked great progress, ushering in the post-industrial digital age and greatly improved living standards in much of the world, Africa seems to lag behind the rapid advancements that have occurred in the rest of the world. Africa by and large continues to follow a vicious cycle of poverty and underdevelopment—in spite of its great natural resource base of petroleum, minerals, and other goods. This is as the result of a range of factors including the continent’s political, economic, and social history. Many African states fall into a category of countries that Richard Miller defines as having “a substantial portion of inhabitants who are hard pressed to meet urgent material needs and with a technology of production which is as a whole significantly behind the world’s most advanced countries (Miller 2010).” Wars, droughts, and other natural disasters, coupled with poor governance, corruption, and poor mitigation and adaptation capacities have exacerbated the situation.

More optimistic developmental trends have, however, been noted in recent years. According to an op-ed column in the *New York Times*, six of the world’s ten fastest growing economies between 2001 and 2010 were in Africa (Kristof 2012). The International Monetary Fund forecasts that between 2011 and 2015, African countries will account for seven of the top ten spots (Kristof 2012). There are studies, for instance, that show a number of countries with a growth in GDP of about 6 percent per year, with the lowest point of inflation at below the two-digit level (Miller 2010). Although these rather recent improvements are taking place in less than half the continent, it is a positive step for sub-Saharan African countries, which had lagged behind on many economic indicators since attaining autonomous governance about a half-century ago (Arbache, Go, and Page 2008). The need to consolidate gains and to attain more rapid growth is clear as the recorded development still falls far short of what is required to lift the great majority of people out of poverty. We need to vigorously

pursue more holistic, sustainable development programs, aiming not merely to increase GDP but also to ensure poverty reduction, environmental justice, respect for human rights, transparency, and accountability.

While there is general agreement that poverty reduction and achievement of development in sub-Saharan Africa are matters of great importance, there is no consensus with respect to the question of what the best means for achieving these ends are. Official development assistance or aid has been the default resort for a long time, not only to alleviate urgent stresses but also to provide capital for long-term development. It has, however, ignited controversies and debates. Many people believe that aid is either stolen by corrupt leaders or wasted on ineffective programs, while yet another argument holds that, for a variety of reasons, aid does not work even when it gets to its intended recipients. There is, however, no consensus on how huge investments could be financed in the short term other than by an increase in aid.

## **What is Aid?**

A working definition of aid is key to understanding the dynamics of aid architecture and the controversies surrounding it in the African context. Aid or official development assistance generally refers to the transfer of resources, capital, and/or technical assistance from a donor to a recipient country.<sup>1</sup>

Not everyone agrees on how the term aid should be defined. Is aid a tangible or an intangible item? Is it concrete, or should we focus on the abstract elements? Should we conceive of aid as the actual amount that was put to proper use, carving out whatever amount was not put to effective use? The classic approach is to define aid in broad terms, encompassing all of the resource flows from the developed world into the developing or underdeveloped world (Ryrie 1995). Others have suggested that “real aid” or aid that has brought about sustainable development or immediate welfare to the poor should be the focus (Thomas 2011, 7). There is also the tendency to regard aid given out of generosity as a dole or gift (Bauer 1972).<sup>2</sup> In addition, some insist that official development assistance comprises not only the actual object that is being transferred but also the relationship that has been forged between the developed world and the developing world as a result of this transfer of resources (Pomerantz 2004, 8). For this reason, the definition of aid would be incomplete without the intangible element.

Aid comes in several forms, such as money, subsidized loans, food, medications, technical assistance, and technology transfer. Categorization

of aid assistance has a temporal as well as a functional element. Based on the purpose for which it is given, aid broadly conceived can be categorized into either development or humanitarian aid. Humanitarian aid is meant to relieve immediate stresses caused by sudden-onset humanitarian emergencies. It is given as a short-term response to prevent a humanitarian crisis in the wake of a natural or anthropogenic disaster and consists of providing bare necessities for survival, including food and medicine. Development aid has the end of fostering long-term socioeconomic development and independence. This type of assistance could be project-specific or program-specific.

### **Arguments for and against Aid**

Questions have been raised as to whether aid is really the answer to Africa's developmental needs. The concerns raised are three-fold: the reasons for the grant of aid, the conditionality attached to it, and its effectiveness—its administration and whether it actually benefits the populations it was intended to help.

*Motivations behind the Grant of Aid:* Realists and internationalists or liberalists offer contrasting explanations for the motivations behind aid allocations (Selbervik 1999, 30–31).<sup>3</sup> Realists and neo-realists agree that, with the exception of humanitarian aid, a donor country will offer aid only when the donor country has a certain interest in the recipient country and stands to gain from the creation of an aid relationship with that country (Omoruyi 2001, 29). The idea is that the donor country is motivated merely by the pursuit of security and strategic or political objectives (Selbervik 1999, 30–31). Therefore, the motives behind providing aid may be to maintain diplomatic relations, to encourage military allies, to exert political influence, to expand markets, to extend cultural influence, to pursue a religious agenda, to counter terrorism and fundamentalist Islam, and so on. The idea is that all sovereign states determine their national interests without any outside interference in the somewhat anarchic international system. However, the way in which sovereign states will act and influence the international system is different for realists and neo-realists.<sup>4</sup> For realists, the only sub-Saharan African countries that are of interest to donors are those either rich in natural resources or possessing geo-political strategic benefits to the donor countries. Policy/security motives (such as those of the U.S. and Russia during the cold war) need to be distinguished from commercial motives, which Lehman in this book argues shaped Japanese aid.

The liberal or internationalist counterpart to this theory on aid is predicated on the premise that state interests are determined by international as well as domestic conditions. For this reason, the liberalist emphasis is that aid assistance should be given because all regions of the world are important to states and humanity, and poverty is a common problem for all people (Omoruyi 2001, 30–31). Some, like philosopher Richard Miller, assert that developed countries have a responsibility to help developing and underdeveloped countries based on the “Principle of Sympathy” grounded in respect (Miller 2010).

On the ground, however, this realist-internationalist divide is not always clear-cut. Foreign aid policies are usually driven by motivations that have elements of both the internationalist and realist theories (Omoruyi 2001, 48). Omoruyi’s study of motivations behind aid allocations in the post-cold war era, for instance, shows that internationalist theory is more evident as morality appears to be one of the driving forces for aid allocation, while the realist motivation based on national interest is less evident in the findings, but both are at play in the aid architecture. At the same time, it should not be forgotten that there are people in rich countries who are genuinely concerned about the welfare of those in low-income countries and who give aid for purely altruistic reasons. There are people who care about the suffering of others and who express their care by making significant donations (Gates 2012).

*Ineffectiveness of Aid:* Another argument against aid is that it is not designed to promote economic development. According to this argument, aid has been ineffective insofar as many of the communities it was targeted to help are still underdeveloped and still grapple with lack of infrastructure, disease, and food insecurity. Aid is seen by some as crippling the capacity of the recipient nation by fostering passive dependency and encouraging corruption. Instead, this argument goes, the focus should be on private investment and more work, which would lead to more ambition and growth. Some of the offered explanations for the ineffectiveness of aid are as follows.

Institutional pessimists argue that recipient country institutions are influenced by foreign aid through the interaction of political power and economic interest at play in the giving of aid. This results in corruption and ineffective use of aid. For instance, the argument is that foreign aid makes political institutions of recipient countries more dictatorial than they had been without the aid and fosters more corruption. The counter-argument offered by institutional optimists is that aid affects the institutions of recipient countries positively. For instance, aid could create democracy in places where it had not previously existed. Nabamita Dutta et al. (2011) offer a



third alternative, which they call the “amplification” effect, signifying that foreign aid merely fortifies the political institutions that predated the grant of aid. If the institutions were previously democratic, they will become more democratic; if they were dictatorial, they will become even more dictatorial.

The structural position asserts that foreign aid causes underdevelopment because it strengthens the power imbalance between rich and poor countries. Dambisa Moyo (2009), for instance, concludes that the overreliance on aid has trapped African nations in a “vicious circle of aid dependency, corruption, market distortion, and further poverty, leaving them with nothing but the need for more aid.” Gates (2012) argues that this claim is not convincing. He cites for example the fact that over the past fifty years, the number of children who die annually has been reduced from 20 million to fewer than 8 million. Meanwhile, the proportion of people living in extreme poverty has declined by more than half. He argues that these massive improvements are due in large part to aid-funded programs that, for example, buy vaccines and boost farmers’ productivity. The Blair Commission on Africa points out that budget support to Tanzania has enabled the government there to double per capita spending on education. The same assistance made it possible for Tanzania to introduce in 2002 a policy of free and compulsory education benefiting 1.6 million children. Tarp observes in this book that the question of whether aid is or is not beneficial is not as simple as it may appear. He concludes that there is no indication of harmful effects from foreign aid and that on the whole aid does promote economic growth in the recipient countries.

*Conditionality:* Development assistance is seldom given without any strings attached. There are mixed views on whether this political conditionality is interference or “the legitimate support of budding democratic tendencies (Hofmeier 1991).” The conditionality that is attached to the grant of aid can be either political or economical, or a combination of both. Historically donors have used conditionalities to pursue their own security and commercial interests. While some emphasize the need to incorporate conditionalities that promote social objectives and human rights, others dismiss conditionalities as ineffective and useless for that reason (Burnell 1997).

## **A Brief History of Aid**

For much of the twentieth century, aid has been pumped into African economies. And although the ideas and institutions for aid to Africa can be traced to the European colonial period, for the purposes of this chapter, the

history of aid can be classified into four periods: pre-World War II, World War II, post-World War II, and the post-cold war period.

## **Pre-World War II**

Although it is difficult to pinpoint a time in history when aid began, there is general agreement that prior to World War II, the types of foreign aid consisted mainly of military support. Donor countries gave their military support to a warring party that was of some strategic significance to the donor country.<sup>5</sup> In addition, European colonial powers shipped capital and finished products to their colonies. However, it is questionable whether this can be seen as foreign aid since these goods were sent in exchange for raw materials shipped to Europe; besides, the colonies were non-autonomous units that were administered by the European powers (Aid Watch n.d.).<sup>6</sup>

## **World War II and the Cold War Period**

A series of events of particular significance to the aid architecture narrative came about as World War II drew to a close. These included the creation of the United Nations, the establishment of global financial institutions—the World Bank and the International Monetary Fund—at Bretton Woods, and the United States' foreign policy known as the Marshall Aid Plan (Cumming 2001). These institutions have been major actors in international development as throughout the years they have overseen or made possible the international distribution of funds, whether in the form of loans, subsidies, or aid.

Following the Second World War, the U.S. formulated the Marshall Aid Plan, which provided more than US\$12 billion in aid to war-shattered economies in Western Europe between 1948 and 1951 (Cumming 2001). This was the first large-scale foreign assistance program. Although aid was viewed as a means of reconstructing war-devastated countries economies and helping them to industrialize, another driving reason for this grant was to curb Soviet influence in Western Europe and to discourage the communist parties in recipient countries from becoming stronger.<sup>7</sup> Throughout the 1950s the cold war remained the driving force for aid relations. In the following decade the economies of Western Europe began to recover and the recipient countries were able to stand on their own feet.

In the 1960s, decolonization began to take place in much of Africa and Asia, and aid focus turned to the newly established states. These new states did not have the same level of development as their former colonial

powers, and the importance of tackling poverty and promoting development became increasingly clear (Aid Watch n.d.). There are two conflicting views on what the driving force for aid relations between the West and the newly established states was. On the one hand, there are arguments that with the collaboration created by the UN, the World Bank, and the IMF, the grounds for which aid was given were mainly eliminating poverty and achieving development. Some argue, however, that the new relationship was tantamount to neo-colonialism. Western powers wished to provide aid to Francophone and Anglophone Africa lest they become Soviet satellites. At this point, although most Western European countries had fairly robust economies, lacking colonial or geopolitical interests in Africa they did not wish to participate in providing aid driven by cold war politics. France, Belgium, and Britain, however, continued to be involved with their former colonies in various ways, including the provision of aid.<sup>8</sup> The cold war continued to serve as the force behind development assistance agendas during the 1970s and 1980s. To some extent in recent times the cold war has been replaced by the fight against terrorism and the spread of political Islam.

The 1970s was marked by a shift in the approach to aid assistance. A more “human” approach focusing on social considerations such as health (life expectancy, infant mortality rates, and disease), education, income distribution, gender equality, and institutions and governance, rather than simply macroeconomic growth, were beginning to inform the decision to grant aid assistance (Aid Watch n.d.).

### **The Post-Cold War Era**

In the post-cold war era official development assistance (aid) continues to play a major role in international development. Most of the aid originates either from members of the Organization for Economic Cooperation and Development (OECD) or from a new entrant—China—which is becoming increasingly important. In post-conflict societies, aid has been given as part of some peacekeeping programs and to promote transitions to democracy and capitalism in former communist countries.<sup>9</sup> In post-conflict societies aid has the potential to contribute to conflict prevention through its effects on the growth and level of income, which are key factors in reducing the risk of renewed conflict. In the African context, humanitarian assistance continues to be provided through the present day as for example in Somalia, Dufur, and Eastern Congo.

## The Way Forward

This book is an anthology of essays contributing new scholarship to the contemporary aid discourse. It provides an interdisciplinary investigation of the role of aid in African development, compiling the work of historians, political scientists, legal scholars, and economists to examine the reasons for the failure of aid. It offers a new perspective into how aid can be made more effective so that African communities can actually reap the intended benefits. Questions regarding the effectiveness of aid are addressed by looking at specific case studies of donor as well as recipient countries. Questions of ownership are addressed and examined in the context of two debates. The first, addressed especially by Nic van de Walle and Phyllis Pomerantz in their respective chapters, is about “ownership”: to what extent should aid be designed by the recipient country itself? This has especially been an issue in the years since the Paris Declaration. The second part of the ownership debate concerns whether aid should focus on “need” or “performance.” In other words, should donors direct aid to the poorest countries, regardless of their policies and level of governance, or should aid “reward” countries who are doing the right thing? What would be the implications of such a policy for poor states considered undeserving of aid? What is the likelihood of such states falling into a deep hole as failed states? The future of aid is also addressed: should aid continue to be a part of the development agenda of developing/ underdeveloped countries in sub-Saharan Africa? If so, how much and what type of aid is needed, and how it can be made most effective?

The general refrain of the essays presented here is that economic indicators alone do not fully reflect a country’s level of development. A range of factors that show the well-being of communities—such as the protection of human rights—should be taken into consideration when measuring the level of development that has been achieved. The major criticism against aid is that it cripples the recipient country’s economic growth by turning it into a passive receiver; aid is seen as a disincentive for people to work. In addition, it has been noted that aid has been mostly supply-driven, not demand-driven. The availability of aid depends upon donors, not on the actual needs of recipients. For this reason, aid may not meet the desired goals in the society it was intended to help. The governments of donor and recipient countries also play a major role. Inefficient and corrupt governance will mean that aid does not always reach the targeted groups. It might also be that aid is an instrument for creating political alliances and not really given for altruistic reasons. Lack of public participation and lack of disclosure create little understanding of what is really

happening, either among Africans or among Westerners. The attached conditions may not always be compatible with developmental agendas of the countries receiving the assistance. Moreover, aid donors may not take into account the sociocultural context in which aid is being given; assistance programs should seek not only to fix short-term problems but also to empower aid recipients through education, technical assistance, or technology transfer.

Hence, the themes that run through the chapters of the book are that donors ought to meet the needs of the communities they want to help, consulting with them and providing them with some measure of ownership and say in the assistance that is given. Donors need to understand the sociocultural context, to protect human rights, and to be guided by principles of social and environmental justice. Other suggested strategies for making aid more effective include peer review, self-assessment, empowerment of women, encouraging accountability, investing in agriculture, helping smallholder subsistence farmers, introducing ethical and professional standards for civil service, and raising the competence of civil servants.

## **Organization of the Book**

The book is comprised of thirteen chapters. Following this introductory chapter, Finn Tarp (chapter two) investigates the aggregate impact of aid on country-wide indicators, particularly economic growth. He warns that the question is not as simple as it may appear. Drawing on macroeconomic and microeconomic data spanning forty years, he concludes that there is no indication of harmful effects from foreign aid. He finds that aid does provide developmental benefits to the recipient countries, although these benefits are not as significant as they are claimed to be. He provides an overview of the academic literature that has evaluated the effectiveness of aid across countries. The focus is on the aggregate impact of aid; that is, its effect on country-wide indicators, particularly economic growth. The chapter first provides some essential background to these debates and then examines the question of whether aid supports economic development. Methodological difficulties mean that it is hard to provide a definitive and comprehensive conclusion. The chapter concludes that aid should never be considered to be a “solution” in itself to poverty.

In chapter three, Esau Kaakunga provides an empirical investigation of the impacts of foreign aid on economic development in Namibia through a simple endogenous growth model. He concludes that introducing more aid will contribute to economic development in Namibia as long as the gov-

ernment invests in infrastructure and education with a view to promoting economic growth.

In chapter four, Nicolas van de Walle explores the difficulties of implementing the Paris Declaration 2005 recommendations regarding recipient country ownership, particularly in those countries where there is low state capacity and a systematic deficiency in governance. Van de Walle notes that calls to promote country ownership were initially designed to reform aid modalities in countries with good governance and democratic politics, where, it was thought, greater responsibility should be taken in the design and implementation of aid in order to improve its effectiveness. The concept of ownership is ambiguous, however, and the chapter suggests that two distinctive definitions of ownership have often muddled the debate about the implications of ownership promotion by donors. Over time, moreover, the ambition to promote ownership has led donors to extend these new modalities to countries with many governance problems, and this has had predictably bad outcomes. The chapter concludes with the recommendation that we not give up on greater ownership, but pursue it only in countries that have demonstrated the capability and motivation to promote democratic development.

In chapter five, Phyllis Pomerantz notes that global programs have expanded dramatically over the past decade. In certain circumstances, they may be invaluable in the supply of underprovided global public goods. However in a number of cases, global programs are either creating additional difficulties for country-based programs or replicating problems that recent reforms in aid have sought to mitigate or eliminate. Also, many of these programs are mischaracterized as aid, adding to mounting confusion and contradictions on the aid scene. Phyllis Pomerantz compares global programs and local based programs with the finding that global programs are either creating additional difficulties for country-based aid programs or replicating problems that recent reforms in aid have sought to mitigate or eliminate. Drawing from the metaphor of the tortoise and the hare, she concludes that country-based programs are probably more effective in terms of poverty reduction.

In chapter six, Aaron Chassy reflects on the fact that bi- and multi-lateral donor support for strengthening civil society has not been examined in comparison to donor support for other development sectors. In recent years such support has been tied to civil society support for state-led programs and public sector reforms. Chassy discusses the bottom-up push for reform, a move among civil society organizations to counter the process controlled by state actors who are only going through the motions of reform to satisfy donors' conditions—now more fashionably referred to as